

CITY STORES COMPANY
and
Consolidated Statements with Subsidiary Companies

Annual Report
to the
Stockholders

JANUARY 31, 1938

BOARDS

q 658.27

C498r

**MRE
CORP. FILE**

DIRECTORS

SAUL COHN	Newark, N. J.
WILLIAM D. GORDON	Philadelphia, Pa.
ALBERT M. GREENFIELD	Philadelphia, Pa.
WALTER T. GROSSCUP	Philadelphia, Pa.
GEORGE H. JOHNSON	Philadelphia, Pa.
JOSEPH H. LOVEMAN	Birmingham, Ala.
ERNEST W. NIVER	New York City
PAUL H. SAUNDERS	New Orleans, La.
HERBERT J. SCHWARTZ	New Orleans, La.
HARRY G. SUNDHEIM	Philadelphia, Pa.
JOHN J. TURTELTAUB	New York, N. Y.

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
SAUL COHN	<i>President</i>
WILLIAM D. GORDON	<i>Executive Vice President and Treasurer</i>
LOUIS N. BATOFF	<i>Secretary</i>
FRANK T. COMPARATO	<i>Asst. Secretary</i>

TRANSFER AGENT CENTRAL HANOVER BK. & TRUST CO.
70 Broadway, New York, N. Y.

REGISTRAR AGENT CHASE NATIONAL BANK
11 Broad Street, New York, N. Y.

AUDITORS ERNST & ERNST
19 Rector Street, New York, N. Y.

April 28, 1938.

To the Stockholders of

CITY STORES COMPANY:

The annual report of your Company for the fiscal year ended January 31, 1938 is submitted herewith, together with certification of Messrs. Ernst & Ernst, our independent auditors. The report includes separate balance sheets of City Stores Company (parent company) and each of its subsidiary companies, as well as a consolidated balance sheet of City Stores Company and its subsidiary companies at January 31, 1938; also profit and loss statement and surplus account of the parent company and consolidated profit and loss statement and surplus accounts of City Stores Company and its subsidiaries combined for the fiscal year ended January 31, 1938.

SALES AND EARNINGS

Net sales for the fiscal year ended January 31, 1938 amounted to \$40,184,459.27, an increase of 4.5% over the preceding year. The favorable upward trend of sales which was maintained throughout the earlier part of the past fiscal year was reversed during its closing months and reflects the effect of unfavorable nationwide business conditions which have been experienced by so many industries, and which condition at this writing has not as yet been adjusted.

A comparison of the total sales of the subsidiaries of City Stores Company for the past three fiscal years is given in the following table:

FISCAL YEAR ENDED JANUARY 31,	NET SALES
1938	\$40,184,459.27
1937	38,436,183.59
1936	33,557,665.40

Net profits of subsidiaries for the fiscal year ended January 31, 1938 as compared with the two preceding years, before deducting Federal and State income taxes and surtaxes on undistributed profits, minority interest proportion, and interest on parent company's funded debt, but after eliminating inter-company dividends, were as follows:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT OF SUBSIDIARIES AS ABOVE INDICATED
1938	\$1,521,520.24
1937	1,694,012.50
1936	942,543.32

Net profits of the individual subsidiary companies on the foregoing basis for the past three fiscal years are as follows:

	FISCAL YEAR ENDED JANUARY 31,		
	1938	1937	1936
Lit Brothers, Philadelphia, Pa. and subsidiary companies	\$ 822,706.87	\$1,102,780.08	\$479,657.05
Maison Blanche Company, New Orleans, La. and its subsidiary companies: Homecraft Finance Corporation and Maison Blanche Realty Company, New Orleans, La., excluding dividends received from wholly owned subsidiary (B. Lowenstein & Bros., Inc.) of \$105,000.00 in year ending January 31, 1937 and \$90,000.00 in year ending January 31, 1938	338,661.30	317,996.77	391,220.32
Loveman, Joseph & Loeb, Birmingham, Ala. and its subsidiary company, Home Furnishing Finance Corporation	199,322.78	151,866.57	27,803.69
B. Lowenstein & Bros., Inc., Memphis, Tenn. and its subsidiary company, Homecraft Finance Corporation of Memphis	107,245.11	115,221.66	33,473.48
Kaufman-Straus Company, Inc., Louisville, Ky. and its subsidiary company, Homecraft Finance Corporation of Louisville (after deducting flood loss in fiscal year ended January 31, 1937)	52,887.55	5,894.97	14,752.85
Kenville Realty Company, Louisville, Ky.	715.63	721.63	—o—
City Stores Mercantile Company, New York City	19.00	469.18	4,364.07
	<u>\$1,521,520.24</u>	<u>\$1,694,012.50</u>	<u>\$942,543.32</u>

From the profit of \$1,521,520.24 for the fiscal year ended January 31, 1938, as shown above, there are deducted proportion of net profits applicable to preferred and common stocks of subsidiary companies not owned by City Stores Company amounting to \$272,001.56, interest on funded debt and other charges of parent company amounting to \$327,001.23, and Federal and State taxes of \$344,249.26 on income, leaving a net profit of \$578,268.19 applicable to City Stores Company, compared with results for the two preceding years as shown below:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT APPLICABLE TO CITY STORES COMPANY
1938	\$578,268.19
1937	616,776.15
1936	303,337.23

The reduction in combined earnings for the year ended January 31, 1938 is accounted for by the decline in sales volume during the closing months of the year and by a substantial increase in taxes, payroll costs, and other non-controllable expenses. In order that stockholders may fully appreciate the substantial burden and increased trend of taxation which is borne by this company and subsidiaries, there is presented in the following table a summary of taxes charged against income during the year ended January 31, 1938 compared with similar charges for the preceding year:

	FOR THE FISCAL YEAR ENDING	
	JANUARY 31, 1938	JANUARY 31, 1937
Real Estates Taxes	\$ 280,803.00	\$296,750.10
Payroll Taxes	215,281.28	74,322.11
Other Taxes	178,438.77	188,090.33
	<u>\$ 674,523.05</u>	<u>\$559,162.54</u>
Federal and State Taxes on Income	344,249.26	333,635.56
Total Taxes	<u>\$1,018,772.31</u>	<u>\$892,798.10</u>

BALANCE SHEETS

The financial condition of the parent company and of the individual companies at January 31, 1938 is shown by the consolidated balance sheet of City Stores Company and subsidiaries and by the separate balance sheets of each of the subsidiary companies. Full provision has been made for depreciation and amortization as in former years. Inventories are conservatively valued on the basis of cost or market whichever is lower as computed by the retail inventory method, less reserves, and are \$434,428.15 less than at the close of the preceding year. Adequate reserves are carried for possible losses on notes and accounts receivable. Merchandise commitments at the close of the past fiscal year represent normal requirements and were substantially at current market prices.

Working capital of the combined companies at January 31, 1938 is \$419,849.88 greater than at January 31, 1937. This increase, together with the higher ratio of current assets to current liabilities, was accomplished notwithstanding a substantial reduction in long-term indebtedness as shown by the following summary:

Deferred obligations paid	\$ 76,614.76
Mortgages reduced	208,000.00
Funded debt retired	502,500.00
	\$787,114.76

As a result of the above reduction of notes, representing deferred obligations, funded debt and principal of mortgages during the past fiscal year, annual interest charges will be reduced by approximately \$44,000.00.

Consolidated earned surplus of City Stores Company and subsidiaries at January 31, 1938 amounted to \$1,764,309.28, compared with \$1,125,247.88 at the close of the preceding year, an increase of \$639,061.40. The details of the changes in this account are shown in the accompanying analysis of consolidated earned surplus.

CAPITAL STOCK

At January 31, 1938 the Company had outstanding 1,210,042 4/12 shares of common stock, of which 501 shares are held in the Company's treasury. No change has occurred in these amounts during the past year. These shares constitute the only outstanding capital stock of the Company.

The privilege to exchange Scrip Certificates, issued pursuant to the Plan of Reorganization of the Company, confirmed by the United States District Court for the District of Delaware, on December 20, 1934, for shares of common stock of the Company, expired at the close of business March 31, 1938. As provided in the Scrip Certificates, the number of shares of Common Stock of the Company representing the total Scrip Certificates outstanding at the close of business March 31, 1938, are to be sold as soon as practicable after March 31, 1938. When all these common shares have been sold, the holders of Scrip Certificates will be entitled to receive their pro rata share of the net proceeds of such sale without interest, upon surrender of their Scrip Certificates at the office of the Central Hanover Bank and Trust Company, 70 Broadway, New York City. Stockholders who exchange their old securities after March 31, 1938, and who would have been entitled to Scrip Certificates upon an exchange made prior to the close of business on March 31, 1938, will receive in lieu of such Scrip Certificates, after all the aforementioned common shares have been sold, their pro rata share of the net proceeds of such sale without interest, at the office of the Central Hanover Bank and Trust Company.

FUNDED DEBT

During the past fiscal year, the Company retired \$502,500.00 of its funded debt as follows:

	OUTSTANDING AT JANUARY 31, 1937	RETIRED DURING YEAR	OUTSTANDING AT JANUARY 31, 1938
Lit Stock Collateral Convertible Notes	\$3,500,000.00	\$167,000.00	\$3,333,000.00
General Collateral Convertible Notes	3,000,000.00	335,500.00	2,664,500.00
	<u>\$6,500,000.00</u>	<u>\$502,500.00</u>	<u>\$5,997,500.00</u>

Of this reduction \$324,000.00 resulted from proceeds from sale of collateral and \$178,500.00 from sinking fund payments provided out of earnings.

At January 31, 1938 Trustees held additional cash in the amount of \$348,119.55, of which \$175,815.00 was applied to payment on April 1, 1938 of interest coupons on funded debt; \$144,974.16 was applied subsequent to January 31, 1938 to the purchase at par, plus accrued interest, for redemption of \$142,000.00 par value of 6% Lit Stock Collateral Convertible Notes; \$27,108.00 was applied subsequent to January 31, 1938 to the purchase at par, plus accrued interest, for redemption of \$27,000.00 par value of 6% General Collateral Convertible Notes.

STORES AND EQUIPMENT

During the past fiscal year further improvements were made in the respective store properties, which have been adequately maintained to render prompt and efficient service to our customers.

ORGANIZATION

The results of the past fiscal year were accomplished in the face of many adverse factors and increased costs, and it is fitting, therefore, to express the appreciation of the Board of Directors and Management for the loyalty of the employees and officers of the Company and Subsidiaries to the interest of their many customers and stockholders.

For the Directors.

SAUL COHN,
President.

ALBERT M. GREENFIELD,
Chairman of the Board.

ERNST & ERNST

NEW YORK

19 RECTOR STREET

April 16, 1938

CITY STORES COMPANY
New York City

We have made an examination of the consolidated balance sheet of CITY STORES COMPANY and its subsidiary companies and of the balance sheets of the individual companies as at January 31, 1938; we also made an examination of the statements of profit and loss and surplus of City Stores Company and of the consolidated statements of profit and loss and surplus of that company and its subsidiaries for the fiscal year ended January 31, 1938. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Receivables were reviewed with store managements and adequate reserves appear to have been provided for estimated shrinkage in collection. Inventories of merchandise were certified to us by store managements as to condition, salability and valuation and have been valued not in excess of the lower of cost or market by the retail inventory method. We supervised the inventory procedure, made tests of physical count of a portion of the quantities and reviewed application of the retail inventory method and related computations.

In our opinion, based upon our examination, the accompanying consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies, with the footnotes appended thereto, fairly present, respectively, the financial condition of the consolidated and of the individual companies at January 31, 1938. On the same basis, it is our opinion that the accompanying statements of profit and loss and surplus of CITY STORES COMPANY and the statements of consolidated profit and loss and consolidated surplus fairly reflect, respectively, the results of operations and changes in surplus of the parent company and of the parent company and subsidiaries combined for the fiscal year ended at that date. Further, except that the amount of merchandise in transit to one subsidiary is shown in footnote on balance sheets instead of in inventory and in accounts payable, it is our opinion that the statements have been prepared in accordance with accepted principles of accounting and on a basis consistent with the preceding year.

ERNST & ERNST

CITY STORES COMPANY, NEW

BALANCE

JANUARY

ASSETS

CASH		\$	1,000.39
------------	--	----	----------

DEPOSITS UNDER INDENTURES SECURING FUNDED DEBT:

Cash for interest, sinking fund requirements, and retirement of funded debt (Note B)	\$	348,119.55	
Dividend note of subsidiary company due January 28, 1943 (pledged as collateral to funded debt)		199,915.00	548,034.55

INVESTMENTS AND OTHER ASSETS:

Capital stocks of Scruggs-Vandervoort-Barney, Inc.—at cost, less reserve of \$6,884.75—(pledged as collateral to funded debt)—(quoted market value \$11,460.00)	\$	7,488.00	
Common stock scrip of City Stores Company		64.25	7,552.25

INVESTMENTS IN AND ACCOUNTS RECEIVABLE FROM SUBSIDIARY COMPANIES:

City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus \$105,427.10 representing dividend paid to City Stores Company by one subsidiary company in capital stock of another subsidiary out of earnings subsequent to January 31, 1935 and plus \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937 (Note A)

Unpledged	\$	62,504.46	
Pledged		13,592,293.11	\$13,654,797.57
Accounts receivable		28,548.84	13,683,346.41

DEFERRED CHARGES:

Prepaid tax and expense		996.34
		<u>\$14,240,929.94</u>

Footnotes to Balance

YORK CITY (Parent Company)

SHEET

31, 1938

LIABILITIES

NOTES PAYABLE—Unsecured \$ 111,735.00

ACCOUNTS PAYABLE:

Subsidiary company	\$ 495.16	
Other	10,887.89	11,383.05

ACCRUED ACCOUNTS:

Interest on funded debt	\$ 119,950.00	
Taxes and sundry interest	5,028.50	124,978.50

FUNDED DEBT (Note B):

Ten Year 6% Lit Stock Collateral Convertible

Notes—due October 1, 1944:

Authorized and issued	\$3,500,000.00	
Less retired	167,000.00	\$3,333,000.00

Ten Year 6% General Collateral Convertible

Notes—due October 1, 1944:

Authorized and issued	\$3,000,000.00	
Less retired	335,500.00	2,664,500.00
		5,997,500.00

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares
(666,600 shares reserved for conversion of Ten Year 6% Lit
Stock Collateral Convertible Notes)

Common:	Shares	Shares	
Authorized		1,900,000	
Less: Reserved for conversion of Ten Year 6% General Col- lateral Convertible Notes	532,900		
In treasury	501		
Unissued and available for gen- eral corporate purposes	157,057-8/12	690,458-8/12	
Outstanding (Note C)		1,209,541-4/12	\$6,047,706.66

Surplus:

Capital	\$1,053,623.05	
Earned (since February 1, 1935) (Notes D and E)	894,003.68	1,947,626.73
		7,995,333.39
		<u>\$14,240,929.94</u>

Contingent Liability:

As guarantor of loans of a subsidiary company
(Kaufman-Straus Company, Inc.)—\$100,000.00.

Sheet on following page.

FOOTNOTES TO BALANCE SHEET OF PARENT COMPANY

NOTE A—City Stores Company's portion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1938 amounted to \$14,585,041.29.

NOTE B—Represents \$175,815.00 for April 1, 1938 interest requirements on funded debt; \$171,767.21 to apply against sinking fund requirements on funded debt and \$537.34 to apply in reduction of funded debt. As of January 31, 1938 unpaid sinking fund requirements totalled \$601,500.00.

NOTE C—The outstanding shares include scrip and shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—In accordance with the terms of both indentures securing funded debt of the Company, the Company, so long as any of the 6% Collateral Convertible Notes issued under either indenture are outstanding, will not declare, pay or set apart for payment cash dividends upon its common stock except out of surplus earned subsequent to October 1, 1934 (see Note C to parent company profit and loss statement).

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes. No provision has been made on the books of the Company or in the annexed balance sheet for federal normal income taxes or surtax on undistributed profits for the fiscal years ended January 31, 1937 and January 31, 1938, by reason of the Company's claims for deductions in connection with liquidation of a subsidiary in the fiscal year 1937 and its claim for exemption for the fiscal year ended January 31, 1938 based upon credits for contracts which require the payment of earnings to trustees for the purpose of discharging funded debt.

CITY STORES COMPANY, NEW YORK CITY (Parent Company)

PROFIT AND LOSS STATEMENT

YEAR ENDED JANUARY 31, 1938

Income:

Dividends received from subsidiary companies:		
In cash	\$547,323.50	
Note of subsidiary company—due January 28, 1943 (Note A)	199,915.00	\$747,238.50
Payments by subsidiary companies for management, advisory, and sales service	157,054.09	
Sundry	9,827.32	\$914,119.91
General expenses		127,714.39
		\$786,405.52
Interest on funded debt:		
On Ten Year 6% Lit Stock Collateral Convertible Notes	\$205,241.00	
On Ten Year 6% General Collateral Convertible Notes	160,927.25	366,168.25
NET PROFIT (Note C)		\$420,237.27

NOTE A—Represents note of Maison Blanche Company issued by that company in payment of a dividend. This note has been deposited with trustee securing Ten Year 6% General Collateral Convertible Notes of City Stores Company.

NOTE B—No provision has been made on the books of the Company or in the above statement of profit and loss for surtax on undistributed profits by reason of the Company's claim for exemption based upon credits for contracts which require the payment of earnings to trustees for the purpose of discharging funded debt.

NOTE C—Cash dividends and other income from the collateral held by the trustees under the indentures must first be used by trustees for payment of interest and then to comply with the sinking fund provisions of the indentures covering the funded debt which require annual payments commencing with the year ending October 1, 1935 of \$140,000 on the 6% Lit Stock Collateral Convertible Notes and \$120,000 per year on the 6% General Collateral Convertible Notes. Under the terms of the indentures the provisions of the sinking fund are cumulative but failure to pay into the sinking fund does not constitute a default. As of January 31, 1938 unpaid sinking fund requirements totaled \$601,500.00, and trustees held therefor cash in the amount of \$171,767.21 at that date. Subsequent to January 31, 1938 cash held by trustees was applied to the retirement of \$142,000.00 principal amount of 6% Lit Stock Collateral Convertible Notes and \$27,000.00 principal amount of 6% General Collateral Convertible Notes.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1938

Balance at January 31, 1937	\$473,766.41
Add net profit for the year	420,237.27
BALANCE—JANUARY 31, 1938	\$894,003.68

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash	\$ 1,111,267.02	
Notes and accounts receivable from customers (including \$4,019,092.74 of installment notes and accounts) less reserve of \$337,308.18	7,734,991.86	
Notes and accounts receivable from vendors and tenants, less reserve of \$10,000.00	110,698.81	
Merchandise inventories—at retail less accumulated departmental mark-up and reserves as shown in subsidiary company balance sheets (Note A)	5,034,534.22	
Marketable securities at market value—not in excess of cost	45,927.34	\$14,037,419.25

CASH WITH DEPOSITARIES UNDER INDENTURES SECURING FUNDED DEBT (Note B):

For interest, sinking fund requirements, and retirement of funded debt..	348,119.55
--	------------

INVESTMENTS AND OTHER ASSETS:

Sundry investments, less reserve of \$130,051.59	\$ 263,902.20	
Claims against closed banks, less reserve of \$52,100.77	71,432.28	
Employee and sundry notes and accounts receivable, deposits, etc., less reserve of \$1,500.00	59,176.37	
Cash surrender value of life insurance	31,618.16	
Stock of City Stores Company—529 shares of common stock owned by subsidiaries and scrip	1,802.51	427,931.52

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS (Note C):

Land	\$10,212,741.04	
Buildings, fixtures and equipment	\$14,668,245.69	
Less reserve for depreciation	5,569,327.13	9,098,918.56
Improvements to leased properties	\$ 460,345.03	
Less reserve for amortization	154,482.50	305,862.53
		19,617,522.13

GOOD WILL (Carried on books of subsidiaries in total amount of \$2,792,158.27)	1.00
--	------

DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expense, inventories of supplies, prepaid taxes, expenses, etc.	403,737.09
--	------------

NOTE A—Merchandise in transit to a subsidiary company, at January 31, 1938 amounting to \$130,390.46 is not included in inventories or accounts payable in the above consolidated balance sheet.

NOTE B—Reference is made to footnote B to the balance sheet and footnote C to the profit and loss statement of City Stores Company (Parent Company) in which the amount of funds available for interest, sinking fund requirements, and retirement of funded debt are stated and provisions of indenture securing funded debt of the Company are given with respect to the effect upon surplus and income available for dividends.

A note of \$199,915.00 issued by a subsidiary company to the Parent Company as a dividend, and eliminated in this consolidated statement, has been deposited with trustee under indenture securing General Collateral Convertible Notes.

NOTE C—Valued at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc. where furniture, fixtures, improvements to leased building, etc., are included at sound value as determined in January 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE D—The outstanding shares include scrip and shares required to complete exchange of stock issued under prior recapitalization.

NOTE E—Including \$2,505.00 reserved for common stock held in treasury.

NOTE F—Reference is made to the pertinent footnotes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies with respect to the position of the Companies as to damage suits and other contingent liabilities.

NOTE G—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

\$34,834,730.54

CITY, AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1938

LIABILITIES

CURRENT LIABILITIES:

NOTES PAYABLE:

Banks—for borrowed money	\$ 696,750.00		
Other	125,526.56	\$ 822,276.56	

ACCOUNTS PAYABLE:

Trade creditors, etc. (Note A)	\$2,418,386.57		
Federal and state payroll taxes	34,545.88	2,452,932.45	

ACCRUED ACCOUNTS:

Interest on mortgages, salaries, wages, taxes, etc.	\$ 459,074.36		
Provision for federal and state taxes on income—estimated	324,816.50		
Mortgage installments due in 1938	208,000.00		
Interest on funded debt	119,950.00	1,111,840.86	\$ 4,387,049.87

DEFERRED OBLIGATIONS:

Notes payable and other deferred items due subsequent to January 31, 1939			10,091.34
---	--	--	-----------

MORTGAGES:

Payable by subsidiary companies	\$9,191,000.00		
Less installments included in current liabilities	208,000.00	8,983,000.00	

FUNDED DEBT—PARENT COMPANY (Note B):

Ten Year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944:

Authorized and issued	\$3,500,000.00		
Less retired	167,000.00	\$3,333,000.00	

Ten Year 6% General Collateral Convertible Notes—due October 1, 1944:

Authorized and issued	\$3,000,000.00		
Less retired	335,500.00	2,664,500.00	5,997,500.00

RESERVES:

For redemption of trading stamps, contingencies, etc.	\$ 564,167.09		
For income tax contingency	71,510.13	635,677.22	

DEFERRED INCOME:

Unearned carrying charges on installment sales		137,285.10	
--	--	------------	--

MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par value	\$4,135,200.00		
Accrued undeclared dividends to January 31, 1938	1,011,482.81	\$5,146,682.81	

Common stock—subsidiary companies	\$ 319,562.00		
Surplus applicable thereto	292,305.09	611,867.09	5,758,549.90

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares
(666,600 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)

Common:	Shares	Shares
Authorized		1,900,000
Less: Reserved for conversion of Ten Year 6% General Collateral Convertible Notes	532,900	
In treasury	501	
Unissued and available for general corporate purposes	157,057-8/12	690,458-8/12

Outstanding (Note D)	1,209,541-4/12	\$6,047,706.66	
----------------------------	----------------	----------------	--

Surplus:

Capital	\$1,113,561.17		
Earned (Note E)	1,764,309.28	2,877,870.45	8,925,577.11

\$34,834,730.54

CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ended January 31, 1938	Year Ended January 31, 1937	Year Ended January 31, 1936
NET SALES, including sales of leased departments	\$40,184,459.27	\$38,436,183.59	\$33,557,665.40
COST OF GOODS SOLD	26,368,005.41	25,022,885.98	22,013,055.32
GROSS PROFIT	\$13,816,453.86	\$13,413,297.61	\$11,544,610.08
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES...	11,755,420.42	11,080,325.76	9,997,211.74
	\$ 2,061,033.44	\$ 2,332,971.85	\$ 1,547,398.34
ADD OTHER INCOME:			
Interest and carrying charges	315,316.69	275,073.20	295,817.39
Rentals	189,807.85	185,178.14	184,629.65
Dividends	69,940.28	56,907.80	19,197.00
Discount earned on expense invoices	39,037.12	36,461.43	36,210.61
Miscellaneous	84,485.24	42,453.37	76,658.98
TOTAL OTHER INCOME	\$ 698,587.18	\$ 596,073.94	\$ 612,513.63
	\$ 2,759,620.62	\$ 2,929,045.79	\$ 2,159,911.97
LESS OTHER CHARGES:			
Interest on mortgages and notes payable	469,080.33	467,327.37	452,975.20
Provision for depreciation and amortization	492,755.54	468,643.78	398,696.51
Provision for sundry charges, doubtful accounts, etc. (net)	237,097.49	229,688.60	300,114.60
Extraordinary expenses and losses due to flood, etc.	—0—	74,884.91	—0—
Federal and state taxes on income (including sur- tax on undistributed profits of \$59,707.82 for the fiscal year ended January 31, 1938 and \$38,109.36 for the fiscal year ended January 31, 1937)	344,249.26	333,635.56	121,695.67
TOTAL OTHER CHARGES	\$ 1,543,182.62	\$ 1,574,180.22	\$ 1,273,481.98
	\$ 1,216,438.00	\$ 1,354,865.57	\$ 886,429.99
Less amount of net profit of subsidiaries applicable to preferred and common stocks of subsidiary com- panies not owned by City Stores Company	272,001.56	348,089.42	193,092.76
PROFIT APPLICABLE TO CITY STORES COMPANY BEFORE DEDUCTING INTEREST ON FUNDED DEBT	\$ 944,436.44	\$ 1,006,776.15	\$ 693,337.23
Less interest on Parent Company's funded debt	366,168.25	390,000.00	390,000.00
NET PROFIT FOR PERIOD	\$ 578,268.19	\$ 616,776.15	\$ 303,337.23

NOTE: The above statement of profit and loss is subject to the pertinent footnotes on the financial statements of the respective Companies for the three fiscal years.

CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES

CONSOLIDATED EARNED SURPLUS

YEAR ENDED JANUARY 31, 1938

BALANCE—JANUARY 31, 1937		\$1,125,247.88
ADD:		
Consolidated net profit applicable to City Stores Company for fiscal year ended January 31, 1938	\$578,268.19	
Excessive reserve for redemption of trading stamps of a subsidiary company restored to surplus	100,000.00	
Transferring from minority interest in subsidiaries accrued undeclared dividends applicable to preferred stock of such subsidiaries acquired during year	43,955.50	
Sundry	2,193.36	724,417.05
		<u>\$1,849,664.93</u>
DEDUCT:		
Adjusting marketable securities to quoted market values at January 31, 1938	\$ 59,050.00	
Proportion of above items (other than earnings for year) applicable to minority interests	26,305.65	85,355.65
BALANCE—JANUARY 31, 1938		<u><u>\$1,764,309.28</u></u>

CONSOLIDATED CAPITAL SURPLUS

YEAR ENDED JANUARY 31, 1938

BALANCE—JANUARY 31, 1937		\$1,058,257.48
ADD:		
Excess of par value over cost of own preferred shares purchased by subsidiaries and held in treasury at January 31, 1938	\$ 80,426.50	
Less proportion applicable to minority interest	25,122.81	55,303.69
BALANCE—JANUARY 31, 1938		<u><u>\$1,113,561.17</u></u>

LIT BROTHERS, PHILADELPHIA,

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash	\$ 839,479.92	
Accounts receivable—trade (including \$2,883,270.65 of installment accounts) less reserve of \$173,634.50 for doubtful	5,088,178.88	
Merchandise inventories—at retail less accumulated departmental mark-up	2,330,822.71	
Marketable securities at market value—not in excess of cost	45,927.34	\$ 8,304,408.85

INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$113,225.00	\$ 209,480.94	
Sundry accounts receivable and cash in closed banks	92,418.94	301,899.88

LAND, BUILDINGS AND EQUIPMENT (Note A):

Land	\$8,087,544.51	
Buildings, fixtures, equipment, etc.	\$9,205,489.52	
Less reserve for depreciation	3,620,329.74	5,585,159.78
		13,672,704.29

GOOD WILL—Value on books		1,046,783.23
--------------------------------	--	--------------

DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expenses, prepaid taxes, expenses, etc.		252,846.52
--	--	------------

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE B—Accumulated unpaid and undeclared dividends at January 31, 1938 amounted to \$2,072,664.50 of which \$1,292,580.00 is applicable to Preferred Stock owned by City Stores Company.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

\$23,578,642.77

PA., AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1938

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 1,294,650.27	
Accrued salaries, wages, commissions, taxes, interest, etc.	289,361.55	
Provision for federal and state taxes on income—estimated	190,996.62	
First mortgage installments due in 1938	134,000.00	
	\$ 1,909,008.44	

AFFILIATED COMPANIES:

Accounts payable	22,308.10	\$ 1,931,316.54

RESERVES FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES..		376,612.90
---	--	------------

FIRST MORTGAGES ON LAND AND BUILDINGS:

Due serially to 1945	\$ 6,591,000.00	
Less installments included in current liabilities	134,000.00	6,457,000.00

DEFERRED INCOME:

Unearned carrying charges on installment accounts receivable		130,864.77
--	--	------------

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Preferred—6% cumulative—par value \$100.00 per share, redeemable at \$105.00 per share (Note B):		
Authorized and issued	\$12,000,000.00	
Less 23,597 shares in treasury	2,359,700.00	\$ 9,640,300.00

Common—no par value:

Authorized and issued 1,000,000 shares, less 855 shares in treasury		999,145.00
		\$10,639,445.00

Surplus (Note B):

Capital	\$ 82,526.50		
Earned	3,960,877.06	4,043,403.56	14,682,848.56

\$23,578,642.77

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.
And one of its Subsidiary Companies—Homecraft Finance Corporation

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1938

ASSETS

CURRENT ASSETS:

Cash	\$ 81,342.18	
Notes receivable—trade	27,961.12	
Accounts receivable—trade (including \$409,492.90 of installment accounts) less reserve of \$67,537.28 for doubtful	929,342.08	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$40,000.00 (Note A)	920,642.62	\$1,959,288.00

AFFILIATED COMPANIES:

Accounts receivable		11,892.04
---------------------	--	-----------

INVESTMENTS AND OTHER ASSETS:

Investment in affiliated company—book carrying value (94 shares common stock of City Stores Company)	\$ 470.01	
Investments in other companies	42,000.00	
Sundry accounts receivable and advances and cash in closed banks, less reserves of \$23,120.45	10,148.30	52,618.31

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:		
Investment in 6,250 shares of common stock (representing 87.72% of out- standing stock)—at cost (Maison Blanche Company's proportion of net tangible assets of this subsidiary company's assets at January 31, 1938 as shown by its balance sheet amounts to \$982,975.23)	\$ 789,147.90	
Account receivable	1,718.22	\$ 790,866.12

B. Lowenstein & Bros., Inc.:

Investment in 5,000 shares of preferred and 25,000 shares of common stock (its entire outstanding capital stock)—at cost (net tangible assets as shown by this subsidiary com- pany's balance sheet at January 31, 1938 amounts to \$1,376,555.23)	\$2,074,411.38	
Notes receivable:		
Due 1940, 1941 and 1942	145,000.00	
Account receivable	2,106.76	2,221,518.14
		3,012,384.26

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment	\$ 687,027.01	
Less reserve for depreciation	381,831.79	\$ 305,195.22
Improvements to leased properties	\$ 200,714.04	
Less reserve for amortization	105,046.02	95,668.02
		400,863.24

GOOD WILL—Value on books		376,031.24
--------------------------	--	------------

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes, etc.		48,235.17
		<u>\$5,861,312.26</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable (Note A)	\$ 428,488.87	
Accrued salaries, taxes and expenses	38,103.54	
Provision for federal and state taxes on income—estimated	50,000.00	\$ 516,592.41

NOTES PAYABLE—DIVIDEND—DUE JANUARY 28, 1943		200,000.00
---	--	------------

RESERVES FOR INSURANCE, ETC.		7,700.00
------------------------------	--	----------

DEFERRED INCOME (Note B):

Unearned carrying charges—Homecraft Finance Corporation		3,661.05
---	--	----------

CAPITAL STOCK AND SURPLUS:

Capital Stock:		
Common—par value \$50.00 per share:		
Authorized 120,000 shares; 80,000 shares issued	\$4,000,000.00	
Surplus:		
Capital	\$250,000.00	
Earned	883,358.80	1,133,358.80
		5,133,358.80

CONTINGENT LIABILITY:

As guarantor on notes payable of its subsidiary, Maison Blanche Realty Company—\$80,000.00.		
		<u>\$5,861,312.26</u>

NOTE A—Merchandise in transit at January 31, 1938, amounting to \$130,390.46, is not included in inventories nor accounts payable in the above balance sheet.

NOTE B—With the exception of the above item of deferred income in respect to carrying charges through its subsidiary, Homecraft Finance Corporation, all gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

JANUARY 31, 1938

ASSETS

CURRENT ASSETS:

Cash	\$ 14,990.33	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful	18,965.00	\$ 33,955.33

INVESTMENTS AND OTHER ASSETS:

Sundry accounts receivable and advances and cash in closed bank, less reserve of \$28,196.24		420.59
--	--	--------

LAND, BUILDINGS AND EQUIPMENT—at cost:

Land	\$1,170,799.79	
Buildings, fixtures, equipment, etc.	\$2,295,543.12	
Less reserve for depreciation	799,487.29	1,496,055.83
		2,666,855.62

DEFERRED CHARGES:

Prepaid insurance, taxes and expenses		11,425.94
		<u>\$2,712,657.48</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks (Note A)	\$ 140,000.00	
Accounts payable	6,574.34	
Accrued interest, taxes and wages	24,569.17	
Provision for federal and state taxes on income—estimated	16,132.37	
First mortgage note—4½%—installments due in 1938	50,000.00	
	<u>\$ 237,275.88</u>	

AFFILIATED COMPANY:

Account payable—Maison Blanche Company	1,718.22	\$ 238,994.10
--	----------	---------------

FIRST MORTGAGE NOTES—4½%:

Maturing \$25,000.00 semi-annually on May 1st and November 1st to November 1, 1943; balance due May 1, 1944	\$1,400,000.00	
Less installments included in current liabilities	50,000.00	1,350,000.00

DEFERRED PAVING ASSESSMENTS:

Payable in installments subsequent to January 31, 1939		3,071.62
--	--	----------

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Common—par value \$100.00 per share:

Authorized	\$ 750,000.00	
Less 375 shares in treasury	37,500.00	\$ 712,500.00

Surplus:

Earned (Note B)	408,091.76	1,120,591.76
		<u>\$2,712,657.48</u>

NOTE A—Notes payable in the amount of \$80,000.00 are guaranteed by Maison Blanche Company (Parent Company).

NOTE B—Including \$37,500.00 reserved for common stock held in treasury.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

LOVEMAN, JOSEPH & LOEB,

And its Subsidiary Company, Home

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash	\$ 85,319.21	
Accounts and notes receivable—trade (including \$271,784.10 of installment accounts and notes) less reserve of \$43,827.31 for doubtful	705,397.15	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$30,289.75	621,660.54	\$1,412,376.90

AFFILIATED COMPANIES:

Accounts receivable	374.42
---------------------------	--------

INVESTMENTS AND OTHER ASSETS:

Cash surrender value of life insurance	\$ 31,618.16	
Investments in other companies, less reserve of \$5,581.84	3,167.51	
Sundry accounts and notes receivable, etc.	5,359.91	
Investment in affiliated company—book carrying value (422-4/12 shares common stock of City Stores Company)	1,267.00	41,412.58

LAND, BUILDINGS AND EQUIPMENT (Note A):

Land	\$ 903,521.74	
Buildings, equipment, furniture, fixtures, etc.....	\$1,290,230.05	
Less reserve for depreciation	151,043.76	1,139,186.29
		2,042,708.03

GOOD WILL—value on books	800,000.00
--------------------------------	------------

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes, interest, etc.	38,143.82
	<u>\$4,335,015.75</u>

NOTE A—Land valued at cost paid for in capital stock at time of organization; building, fixtures and equipment valued at cost less subsequent accruing depreciation.

NOTE B—The Company claims exemption from federal surtax on undistributed profits for the years ended January 31, 1937, and January 31, 1938. Reserve for federal income tax contingency has been provided in the amount of \$71,510.13 to cover amount involved.

NOTE C—With the exception of the above item of deferred income in respect to carrying charges through its subsidiary, Home Furnishing Finance Corporation, all gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

BIRMINGHAM, ALABAMA

Furnishing Finance Corporation

BALANCE SHEET

31, 1938

LIABILITIES

CURRENT LIABILITIES:

Notes payable—banks	\$ 275,000.00	
Accounts payable	296,102.15	
Accrued salaries, taxes and interest	46,154.48	
Provision for federal and state taxes on income—estimated (Note B)	36,226.73	
First mortgage installments due in 1938	24,000.00	
	<u>\$ 677,483.36</u>	

AFFILIATED COMPANY:

Account payable	129.98	\$ 677,613.34
-----------------------	--------	---------------

FIRST MORTGAGE—5%:

On land, buildings and fixtures—due February 7, 1943, with semi- annual installment payments of \$24,000.00 each beginning Feb- ruary 7, 1939	\$1,200,000.00	
Less installments included in current liabilities	24,000.00	1,176,000.00

RESERVES:

For federal income tax contingency (Note B)	\$ 71,510.13	
For contingencies, pensions, etc.	173,134.19	244,644.32

DEFERRED INCOME:

Unearned carrying charges—Home Furnishing Finance Corpora- tion (Note C)		1,565.07
---	--	----------

CAPITAL STOCK AND SURPLUS:

Capital Stock—par value \$100.00 per share:

Preferred—7% cumulative—redeemable at \$120.00 per share
(Note D):

Authorized and issued	\$1,000,000.00	
Less 7,353 shares in treasury 735,300.00	\$ 264,700.00	

Common:

Authorized	\$2,000,000.00	
Less unissued	378,000.00	1,622,000.00

Surplus (Notes D and E):

Capital	\$ 530.00	
Earned	347,963.02	348,493.02
		<u>2,235,193.02</u>
		<u>\$4,335,015.75</u>

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1938 on the 7% Cumulative Preferred Stock amounted to \$112,718.08.

NOTE E—Excluding charge of \$735,300.00 for preferred stock held in treasury.

NOTE F—The Company was defendant in several damage suits with respect to which counsel for the Company advised that, in their opinion, losses, if any, that may result from such suits will be negligible in amount.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.
And its Subsidiary Company, Homecraft Finance Corporation of Memphis

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1938

ASSETS

CURRENT ASSETS:

Cash	\$ 27,066.83	
Notes receivable—trade	5,732.47	
Accounts receivable—trade (including \$318,434.38 of installment accounts) less reserve of \$37,309.09 for doubtful	726,148.36	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$20,000.00	794,879.64	\$1,553,827.30

INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$2,500.00	\$ 1,164.00	
Employee and sundry note and accounts receivable	10,004.48	11,168.48

EQUIPMENT AND IMPROVEMENTS—at cost:

Store and office fixtures and equipment	\$ 970,870.57	
Less reserve for depreciation	572,907.93	\$ 397,962.64
Improvements to leased property	\$ 118,308.33	
Less reserve for amortization	38,107.46	80,200.87
		478,163.51

GOOD WILL—value on books 150,000.00

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes, interest, etc. 31,043.90

\$2,224,203.19

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks	\$ 175,000.00
Notes payable for equipment purchased	16,666.56
Accounts payable	286,370.34
Accrued taxes, interest, etc.	36,141.89
Provision for federal tax on income—estimated	15,350.00
	<u>\$ 529,528.79</u>

AFFILIATED COMPANIES:

Accounts payable 8,501.45 \$ 538,030.24

NOTES PAYABLE:

To Maison Blanche Company (Parent Company) for dividends—due \$40,000.00 on January 27, 1940; \$80,000.00 on January 27, 1941; and \$25,000.00 on January 27, 1942	\$ 145,000.00	
For equipment purchased—due after January 31, 1939	6,944.72	151,944.72

RESERVES FOR SELF INSURANCE, ETC. 6,720.00

DEFERRED INCOME (Note A):

Unearned carrying charges—Homecraft Finance Corporation of Memphis 953.00

CAPITAL STOCK AND DEFICIT:

Preferred stock—8% cumulative—par value \$100.00 per share, redeemable at \$107.50 per share (Note B)			
Authorized	\$ 600,000.00		
Less unissued	100,000.00	\$ 500,000.00	
Common stock—no par value—25,000 shares authorized and issued	\$1,500,000.00		
Deficit (Note B)	473,444.77	1,026,555.23	1,526,555.23
			<u>\$2,224,203.19</u>

NOTE A—With the exception of the above item of deferred income in respect to carrying charges through its subsidiary, Homecraft Finance Corporation of Memphis, all gross profit and carrying charges on installment sales are taken into income account in year in which sale is made.

NOTE B—Accumulated unpaid and undeclared dividends at January 31, 1938 on the 8% cumulative preferred stock (entirely owned by Maison Blanche Company, its parent company) amounted to \$365,000.00.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1938

ASSETS

CURRENT ASSETS:

Cash	\$	48,992.76	
Notes receivable—trade		2,866.17	
Accounts receivable—trade (including \$136,110.71 of installment accounts) less reserve of \$15,000.00 for doubtful		341,099.44	
Merchandise inventories—at retail less accumulated departmental mark-up		357,801.43	\$ 750,759.80

INVESTMENTS AND OTHER ASSETS:

Investments in other companies	\$	603.00	
Sundry accounts receivable and advances		803.81	1,406.81

LAND, EQUIPMENT AND IMPROVEMENTS:

Real estate and building—at cost	\$	1,424.05	
Less reserve for depreciation		164.70	\$ 1,259.35
Furniture and fixtures, delivery equipment, etc. (Note A)	\$	196,712.70	
Less reserve for depreciation		26,298.16	170,414.54
Improvements to leased building (Note A)	\$	141,322.66	
Less reserve for depreciation		11,329.02	129,993.64

GOOD WILL—value on books 419,343.80

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, etc.			21,469.57
--	--	--	-----------

\$1,494,647.51

LIABILITIES

CURRENT LIABILITIES:

Notes payable—banks (Note B)	\$	100,000.00	
Notes payable—equipment purchased		3,875.00	
Accounts payable		128,173.07	
Accrued salaries, taxes and expenses		19,076.85	
Provision for federal and state taxes on income—estimated		16,000.00	
	\$	267,124.92	

AFFILIATED COMPANIES:

Accounts payable		4,499.22	\$ 271,624.14
------------------------	--	----------	---------------

DEFERRED INCOME (Note C):

Unearned carrying charges—Homecraft Finance Corporation of Louisville			241.21
---	--	--	--------

CAPITAL STOCK AND DEFICIT:

Preferred stock—7% cumulative—par value \$100.00 per share, redeemable at \$110.00 per share (Note D)			
Authorized	\$	750,000.00	
Less: Unissued	\$247,400.00		
Retired	3,700.00	251,100.00	\$ 498,900.00
Common stock—par value \$100.00 per share:			
Authorized and issued	\$1,000,000.00		
Deficit (Notes D and E)	276,117.84	723,882.16	1,222,782.16
			<u>\$1,494,647.51</u>

NOTE A—Stated at sound values as determined in January, 1936 by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE B—Notes payable to banks are guaranteed by City Stores Company (parent company).

NOTE C—With the exception of the above item of deferred income in respect to carrying charges through its subsidiary, Homecraft Finance Corporation of Louisville, all gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1938 on the 7% cumulative preferred stock amounted to \$244,461.00 of which \$125,783.00 is applicable to preferred shares owned by City Stores Company.

NOTE E—Excluding charge of \$3,700.00 for preferred stock retired.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

JANUARY 31, 1938

ASSETS

CURRENT ASSETS:		
Cash	\$13,075.40	
Merchandise inventory—at cost	8,727.28	\$21,802.68
AFFILIATED COMPANIES:		
Investment in common stock of Maison Blanche Company—4 shares—at cost	\$ 640.00	
Dividend note of affiliated company due January 28, 1943	10.00	
Accounts receivable	13,094.88	13,744.88
OTHER ASSETS:		
Accounts receivable from employees	\$ 430.00	
Account receivable from Mark Store Company	11,022.62	11,452.62
EQUIPMENT (Note A):		
Furniture and fixtures	\$21,823.67	
Less reserve for depreciation	17,263.76	4,559.91
DEFERRED CHARGES:		
Prepaid tax and sundry expenses		297.46
		<u>\$51,857.55</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	\$ 1,685.52	
Accrued salaries and tax	296.85	
	<u>\$ 1,982.37</u>	
AFFILIATED COMPANIES:		
Accounts payable	20,473.19	\$22,455.56
CAPITAL STOCK AND SURPLUS:		
Capital stock—par value \$100.00 per share:		
Authorized 1,250 shares—250 shares issued	\$25,000.00	
Paid-in surplus	4,401.99	29,401.99
		<u>\$51,857.55</u>

NOTE A—Valued at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income.

DEFICIT—PAID-IN SURPLUS

YEAR ENDED JANUARY 31, 1938

DEFICIT JANUARY 31, 1937		\$30,829.72
CREDITS:		
Cancellation of parent company account	\$33,038.35	
Sundry adjustment	2,193.36	35,231.71
		<u>\$ 4,401.99</u>
PAID-IN SURPLUS—JANUARY 31, 1938		

INCOME AND EXPENSES

YEAR ENDED JANUARY 31, 1938

INCOME:		
Payments for buying services:		
Subsidiary companies of City Stores Company	\$87,377.07	
Other	6,000.00	\$93,377.07
		<u>93,377.07</u>
EXPENSES (net)		
		<u>\$ —0—</u>
BALANCE		

KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

JANUARY 31, 1938

ASSETS

ACCOUNT RECEIVABLE—AFFILIATED COMPANY:

City Stores Company	\$ 495.16
---------------------------	-----------

LAND (Note A)	50,000.00
---------------------	-----------

	<u>\$50,495.16</u>
--	--------------------

LIABILITIES

ACCRUED ACCOUNTS:

Real estate taxes	\$ 330.53
Federal capital stock tax	11.00

	<u>\$ 341.53</u>
--	------------------

FEDERAL TAXES ON INCOME—estimated:

Provision for year ended January 31, 1938	110.78	\$ 452.31
---	--------	-----------

ACCOUNT PAYABLE—AFFILIATED COMPANY:

City Stores Mercantile Company	105.00
--------------------------------------	--------

DEFERRED INCOME:

Rent received in advance	721.63
--------------------------------	--------

CAPITAL STOCK AND DEFICIT:

Capital stock:

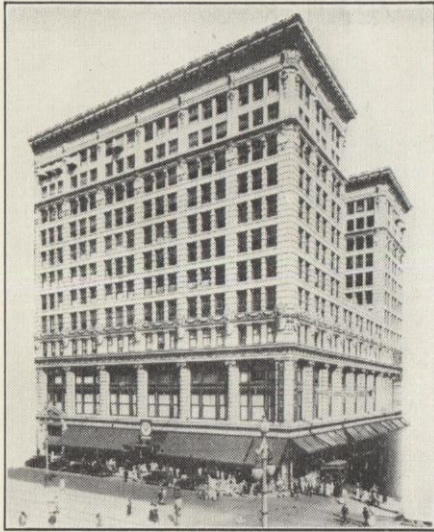
Common—par value \$100.00 per share:	
Authorized and issued 500 shares	\$50,000.00

Deficit:

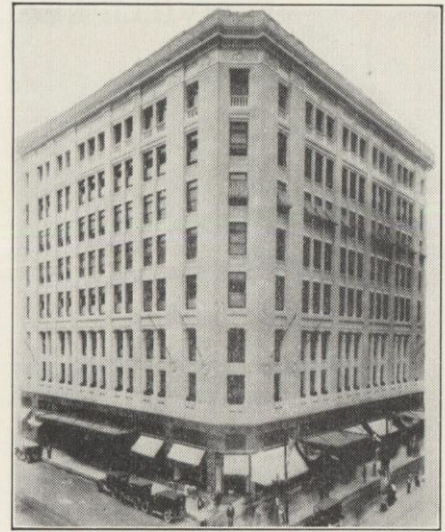
Balance January 31, 1937	\$1,391.35		
Less net income for fiscal year ended January 31, 1938	607.57	783.78	49,216.22
	<u>607.57</u>	<u>783.78</u>	<u>\$50,495.16</u>

NOTE A—Valued at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as at January 31, 1934.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes.



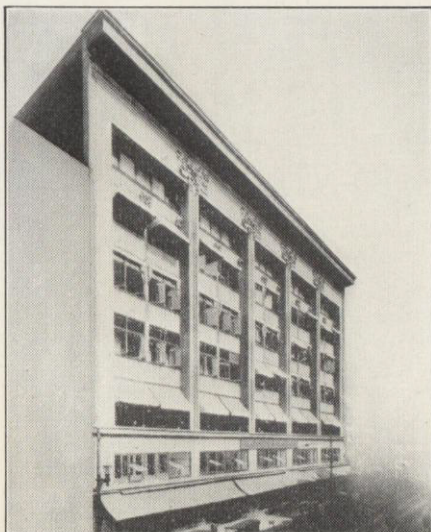
MAISON BLANCHE COMPANY
NEW ORLEANS, LA.



B. LOWENSTEIN & BROS., INC.
MEMPHIS, TENN.



LIT BROS.—PHILADELPHIA, PA.



KAUFMAN-STRAUS CO., INC.
LOUISVILLE, KY.



LOVEMAN, JOSEPH & LOEB—BIRMINGHAM, ALA.

